

Message Text

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ACTION EB-08

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USDA FOR FAS/HUGHES

E.O. 11652: N/A
TAGS: ETRD, EAGR, AU
SUBJECT: AUSTRIAN OILSEED PROGRAM

REF: STATE 97289

1. ECONCOUNS AND AGATTACHE CALLED ON MFA DIRECTOR FOR BILATERAL ECONOMIC AFFAIRS (AMBASSADOR WINTER) APRIL 26 TO PRESENT DIPLOMATIC NOTE CONCERNING AUSTRIAN OILSEED PROGRAM. NOTE FOLLOWED CLOSELY POINTS IN REFTEL. INFORMAL DEMARCHE ALSO HAS BEEN MADE TO ASSISTANT SECRETARY GRACHEGG AT THE MINISTRY OF AGRICULTURE (SEE SEPTEL), AND COPY OF NOTE WAS SENT TO TRADE MINISTRY DIRECTOR FOR GATT AFFAIRS.

2. IN PRESENTING THE NOTE, US REPS STRESSED PARTICULARLY, (A) THE VERY SERIOUS ADVERSE EFFECT THE PROPOSED PROGRAM WOULD HAVE ON THE IMPORTANT US MARKET FOR SOYBEAN AND SOYBEAN PRODUCTS IN AUSTRIA, WHICH WOULD IMPAIR GATT COMMITMENTS, AND (B) THE DEEP CONCERN WITH WHICH THE USG VIEWED SUCH ACTIONS AS EVIDENCED BY THE LIMITED OFFICIAL USE

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FORCEFUL DEFENSE OF OUR INTERESTS AGAINST SIMILAR PROPOSALS IN THE EC. WE DO NOT BELIEVE THAT WINTER HARBORS ANY DOUBTS REGARDING OUR SERIOUSNESS. WE ALSO NOTED THE IMPORTANCE OF TIME SINCE A DRAFT BILL IS CURRENTLY UNDER CONSIDERATION.

3. WINTER (WHO HAD BEEN INFORMED OF THE TOPIC PRIOR

TO THE MEETING) PROVIDED A BRIEF BACKGROUND REPORT ON AUSTRIA'S EFFORTS TO ELIMINATE ITS DOMESTIC "OIL GAP". HE SAID IT IS TOO EARLY TO TELL HOW AUSTRIA WILL SOLVE ITS PROBLEMS. IT IS NOT ONLY THE OIL GAP, BUT ALSO A QUESTION OF SURPLUS WHEAT AND THE HUNGARIAN PROCESSING INTERESTS INVOLVED. ON LATTER, WINTER EXPLAINED THAT HUNGARIANS OBTAINED FROM AUSTRIANS A COMMITMENT TO HAVE THEIR ADDITIONAL RAPESEED PROCESSED IN HUNGARY WHILE THE AUSTRIAN OIL EXTRACTION PLANT IS BEING BUILD. (SEE COMMENT BELOW).

4. WINTER WAS UNABLE TO GIVE ANY OFFICIAL REACTION TO OUR DEMARCHE AT THIS TIME, BUT SAID HE WOULD CONTACT OTHER AGENCIES CONCERNED AND REPORT BACK.

5. OUR ANSWERS TO QUESTIONS POSED LAST PARA. REFTEL FOLLOW: (A) QUESTION OF FINANCING OF PROGRAM DURING INITIAL STAGE IS STILL UNRESOLVED. THIS ISSUE IS ONE WHICH IS STILL HOLDING UP THE FINAL DECISION ON A DRAFT BILL FOR CONSUMPTION TAX ON OILS AND OILSEED PRODUCTS. (B) CONCERNING INCENTIVES FOR SURPLUS WHEAT DISPOSAL, THE ISSUE IS A SEPARATE PROBLEM IRRESPECTIVE OF THE OILSEED PROGRAM. SURPLUS WHEAT SHOULD CONTINUE TO BE DISPOSED OF THROUGH SUBSIDIES AS WAS DONE IN PAST. (C) THE REGULATORY TAX SHOULD BE IMPOSED IN VARYING AMOUNTS ON VARIOUS COMMODITIES. LIMITED OFFICIAL USE

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THESE AMOUNTS, AS WELL AS THE COMMODITIES TO BE COVERED UNDER THE PROGRAM, ARE STILL SUBJECT TO DISCUSSION. (D) BASED ON CURRENT INFORMATION, IT APPEARS THAT TAXES WOULD BE APPLIED SIMULTANEOUSLY TO ALL COMMODITIES ONCE THE FINAL BILL IS PASSED.

6. COMMENT: WE UNDERSTAND THAT THE GREATEST OBSTACLE TO AGREEMENT ON A FINAL BILL COMES FROM THE OILSEED PROCESSING INTERESTS WHICH FEAR THAT THE HIGH-PRICED OILSEEDS WOULD PRICE THEM OUT OF THE MARKET. THE EXISTENCE OF THE AUSTRO-HUNGARIAN OILSEED PROCESSING AGREEMENT COULD THEORETICALLY PERMIT THE IMPLEMENTATION OF THE PROGRAM BY SIMPLY SCRATCHING THE PLAN TO BUILD THE OILSEED PROCESSING PLANT. THE NEW OILSEEDS PRODUCED UNDER THE PROGRAM (FROM 50,000 HECTARES) COULD THEN BE SHIPPED TO HUNGARY FOR PROCESSING AND RETURNED IN THE FORM OF MEAL AND OIL. BORG

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